



INSPECTOR GENERAL REPORT

2006-01-0037

June 29, 2007

FSSA TRAVEL VOUCHERS

Inspector General David O. Thomas and Staff Attorney Amanda Schaeffer report as follows:

In early 2006, the Office of the Inspector General (OIG) commenced the review of a matter that led to requesting assistance from the Indiana State Board of Accounts (SBOA) to review financial documents regarding the Family and Social Services Administration (FSSA).

The SBOA agreed and brought to the attention of the OIG a matter revealed in the SBOA analysis, this involving the travel vouchers submitted by FSSA Chief Financial Officer (CFO) Richard Rhoad for the period of January 2005 through August 2006. This issue focused on the reimbursement of mileage, per diem and lodging expenses for the CFO. During this time frame, the CFO, who resided in Allen County, was reimbursed at the direction of the FSSA Secretary for travel expenses totaling \$13,701.32. These reimbursements were not in compliance with the state's travel rules and regulations as addressed below.

The authority for travel reimbursements to state employees is from State Budget Agency Financial Management Circular 2003-1. Financial Management Circulars (FMC) are rules formulated by the State Budget Agency under the authority of the Indiana Legislature in IC 4-3-22 to give direction to state agencies on the proper spending of state funds.

FMC 2003-1 permits an exception to be granted by joint-approval of the State Budget Director and the Commissioner of the Department of Administration (IDOA). In January 2005, the FSSA Secretary sought, on behalf of the CFO, an exception to FMC 2003-1 on this matter. This request for an exception was denied by both IDOA and the State Budget Agency. In March 2005, the FSSA Secretary then wrote a memo to the FSSA travel office authorizing the continuation of travel payments to the CFO. In July of 2005, IDOA notified the Auditor of the State to cease further travel reimbursements to the CFO because an exception by the IDOA Commissioner had not been granted.

The investigation focused on whether the CFO's "station" as addressed by FMC 2003-1 was properly in Fort Wayne where he resided or in Indianapolis. Under this FMC and as stated in the SBOA report, attached as Exhibit A:

[E]mployees are not allowed to claim mileage from home to work when their work station is the office. Overnight lodging and per diem are also not allowed unless employees are in approved travel status. Mr. Rhoad did not qualify for a remote work station; his station was Indianapolis, as stated on his travel vouchers. Therefore, Mr. Rhoad was not entitled to receive reimbursements for the travel expenses....

The OIG concurred with the SBOA in these findings and joined in a request for reimbursement under the authority of the FMC. According to SBOA policy, on May 2, 2007, the report with the reimbursement request was submitted

to FSSA to allow them a response before public release. In response, on May 29, 2007, the FSSA Secretary submitted an additional request in writing to IDOA and the State Budget Director requesting an exception to the FMC. This exception was subsequently approved by the State Budget Director and Commissioner of the Department of Administration.

The exception to FMC 2003-1 having been issued, the investigation on this matter is accordingly closed.

Dated this 29th day of June, 2007.

A handwritten signature in black ink, appearing to read "David O. Thomas", written in a cursive style.

David O. Thomas, Inspector General

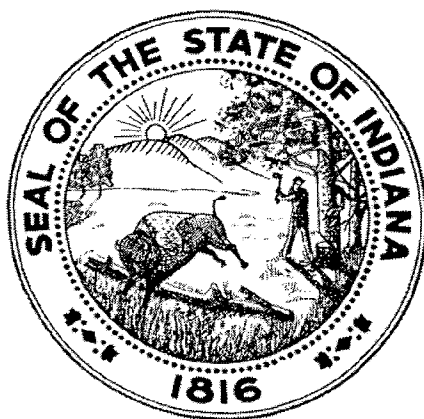
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SPECIAL REVIEW REPORT
OF

FAMILY AND SOCIAL SERVICES ADMINISTRATION
TRAVEL REIMBURSEMENTS
STATE OF INDIANA

January 9, 2005 to August 1, 2006



FILED
07/02/2007

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Services Administration

E. Mitchell Roob, Jr.

01-10-05 to 01-11-09



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TO: THE OFFICIALS OF THE FAMILY AND SOCIAL SERVICES ADMINISTRATION

During our joint investigation with the Office of Inspector General (case #2006-01-0037), we reviewed the travel documents of the Family and Social Services Administration for the period January 9, 2005 through August 1, 2006, regarding the travel reimbursements of Richard E. Rhoad. The results of our review are presented in this special report.

STATE BOARD OF ACCOUNTS

February 8, 2007

FAMILY AND SOCIAL SERVICES ADMINISTRATION
TRAVEL REIMBURSEMENTS
REVIEW COMMENTS
August 1, 2006

INTRODUCTION

The Family and Social Services Administration (FSSA) Secretary, E. Mitchell Roob, Jr., hired Richard E. Rhoad as their Chief Financial Officer (CFO) on January 10, 2005. Mr. Rhoad resigned employment with FSSA on January 13, 2006, to provide the same services as a contractor through Mr. Rhoad's company, Allied Professional Services, Inc. That contract was canceled in May 2006 and Mr. Rhoad was rehired at FSSA on May 8, 2006. His second resignation from FSSA became effective August 1, 2006.

IMPROPER TRAVEL REIMBURSEMENTS

During our analysis of travel vouchers submitted by Richard E. Rhoad for the period from January 9, 2005 through August 1, 2006, we found that Mr. Rhoad received travel reimbursement payments which were not in compliance with the state travel regulations.

In January 2005, E. Mitchell Roob, Jr., requested an exception to the state travel rules to establish a remote work station for Mr. Rhoad. The exception was denied by both the Indiana Department of Administration (IDOA) and the Office of Management and Budget. On March 28, 2005, Mr. Roob wrote a memo to the FSSA travel office authorizing the continuation of travel payments to Mr. Rhoad. Whether the intent of Mr. Roob's memo was to establish Mr. Rhoad's station as his home or the local FSSA office in Fort Wayne, his authorization did not qualify as a valid exception as provided for in the State Travel Policies and Procedures (Financial Management Circular 2003-1). In July 2005, IDOA contacted the Auditor of State's office to cease payments of improper travel reimbursements submitted by Mr. Rhoad.

Improper reimbursements totaling \$13,701.32 for travel dates January 9, 2005 through June 17, 2005, included payments to Richard E. Rhoad for the following: mileage for weekly trips from his home in Fort Wayne to his Indianapolis FSSA office (station) and return; lodging at the state rate for nightly stays in Indianapolis each week; and breakfast and dinner per diem for each night's stay during the period. Mr. Rhoad's travel vouchers indicated that he routinely drove to Indianapolis on Sunday or Monday morning, stayed overnight through Thursday, and drove back to Fort Wayne on Friday evening. Mr. Rhoad's approved travel vouchers contained signature authorizations by Anne Murphy, FSSA Chief of Staff. By signing the agency signature authorization on the Travel Voucher State Form 980, Ms. Murphy certified that the voucher was correct and travel had been authorized.

Employees are not allowed to claim mileage from home to work when their work station is the office. Overnight lodging and per diem are also not allowed unless employees are in approved travel status. Mr. Rhoad did not qualify for a remote work station; his station was Indianapolis, as stated on his travel vouchers. Therefore, Mr. Rhoad was not entitled to receive reimbursements for the travel expenses described above.

On May 29, 2007, E. Mitchell Roob, Jr., submitted a request in writing to Charles Schalliol, Director of Management and Budget, and Carrie Henderson, Commissioner, Department of Administration, for an exception to the State Travel Policies and Procedures for Mr. Rhoad's travel for the period January 9, 2005 through June 17, 2005. This exception was approved by both Mr. Schalliol and Ms. Henderson.

Financial Management Circular 2003-1, State Travel Policies and Procedures, states in:

Section 1-14:

"'Station' means: (A) for a State employee, the location of the employee's assigned permanent office. . . ."

FAMILY AND SOCIAL SERVICES ADMINISTRATION
TRAVEL REIMBURSEMENTS
REVIEW COMMENTS
August 1, 2006
(Continued)

Section 8-2:

"An Agency Head may wish to designate the work station of an employee to be a place other than the central office or a branch office of the Agency. A state Traveler can qualify for a remote work station under the following conditions:

- (A) If an employee spends less than fifty percent of the time, over a period of at least ninety (90) days, within thirty (30) miles of an office of the Agency;
- (B) If the Agency Head explains in writing how the designation maximizes efficiency and economy for the State; and
- (C) If the determination is made at least once per fiscal year and submitted to the Auditor of State with copies to the Department [of Administration] and the State Personnel Department."

Section 2-5:

"The State Budget Director and the Commissioner, or the respective designees, may authorize exceptions in writing, jointly, to this Circular. An Agency Head requesting an exception shall state the request in writing and submit it to the Department. Reasons for exceptions include, but are not limited to the following: emergency, loss or harm to the State or others."

Section 2-6:

"An Agency may develop internal policies and procedures relating to State Travel by State Travelers. Such policies and procedures may not be inconsistent with this Circular and must be approved by both the State Budget Director and the Commissioner, or their respective designees."

Section 2-8:

". . . It is also the responsibility of the Agency to ensure that travel expenses incurred on behalf of the Agency are in compliance with this Circular."

Section 3-3:

"The Agency shall be responsible for the prior authorization of travel for both In-State and Out-of-State Travel. It shall be the duty of the Agency to review the authority for travel prior to filing travel claims with the Auditor of State."

Section 2-3(A):

"The Department [of Administration] shall . . . Administer and enforce this Circular in accordance with IC 4-13-1-4. . . ."

FAMILY AND SOCIAL SERVICES ADMINISTRATION
TRAVEL REIMBURSEMENTS
REVIEW COMMENTS
August 1, 2006
(Continued)

Section 4-9:

"The State may recover any expense or allowance paid to any person or entity:

- (A) Which was erroneously paid for any reason;
- (B) Which was paid because of illegality or fraud on the part of any person or entity; or
- (C) Which was paid under the mistaken belief, at the time the payment was made, that such payment was in accordance with this circular."

FAMILY AND SOCIAL SERVICES ADMINISTRATION
TRAVEL REIMBURSEMENTS
EXIT CONFERENCE

The contents of this report were mailed to E. Mitchell Roob, Jr., on June 13, 2007.